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House Committee Votes to End Over 4 Years Tax Ben for Most Americans Who Work Overseas

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WASHINGTON, Oct. 1—The House Ways and Means Committee voted today to terminate over a four-year period the special tax advantages that are available to most Americans who work overseas. An exception was made for persons who work for charitable, educational, religious and similar organizations.

About 200,000 individuals, half of them government workers and half employes of private industry, would have their Federal income taxes increased by a total of $150-million a year if the commettee's plan becomes law.

At the same session, the committee voted 30 to 5 to take up four relatively minor statutory changes affecting these companies.

It approved the changes after a fight over a proposed amendment that would have essentially eliminated the impact of the changes on the oil industry and also iliminated $30-million of the $135-million in additional taxes that the four changes would raise.

The vote that defeated the attempt to exempt oil companies from the change was 19 to 18.

The panel's decision to go ahead with the four provisions affecting the multinational companies came after committee members who yesterday shied away from supporting any tax change affecting these companies became persuaded that complete failure to act could bring about even harsher legislation later on.

Specifically, their fear was that angry liberal Democrats on the committee would involve the House Democratic Caucus in the issue, as happened earlier this year on repeal of the oil depletion allowance, and force a vote on the House floor that would take away all the special tax treatment that American companies get on income from foreign operations.

The committee took two actions on the tax benefits for individual Americans who work overseas.

Phase-Out in 4 Years

Employes of private industry, provided they have lived overseas for 17 out of 18 consecutive months, are exempt now from United States income tax on the first $20,000 of their earnings.

If they are bona fide residents of a foreign country for three years, the exemption rises to $25,000.

The committee voted to phase out these exemptions, in four even stages, over the next four years. In other words, for a person now entitled to $20,000 of tax-exempt income, the amounts would decline to $15,000 for 1976, $10,000 for 1977, $5,000 in 1978 and nothing in succeeding years.

The situation for Federal Government employes who work in foreign countries is different. They receive a complex array of allowances for transportation, educational expenses, official entertaining, cost-of-living adjustments and so on, which are exempt from taxation.

The committee voted to phase out the tax-exempt status of these allowances over a four-year period after hearing a report showing that there was no problem in recruiting Government workers for overseas posts. In fact, there are generally hundreds of applicants for each open spot, the report showed.

Both government and private industry employes would receive one new tax advantage under the committee's bill to make up in part for what they are losing. They would be permitted to deduct up to $1,200 a year if they are making tuition payments for their children for private schooling in grades kindergarten through high school. The rationale is that Americans working overseas lose the advantage of tax-supported education for their children.

The committee's decision to eliminate most tax benefits for individual Americans working overseas contrasted with its failure to tackle the basic tax benefit that corporations get from overseas operations. This is the fact that profits earned overseas are not subject to American income tax until they are returned to this country.

The committee voted 23 to 12 to postpone for six months all consideration of this and other advantages available to multinational corporations, except for the four changes it adopted today. These four changes had also been approved by the committee last year in a bill that never reached the House floor.